Google Inc.

Hearing on "Patent Quality Improvements: Post-Grant Opposition"

House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property

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Chairman Smith, Ranking Member Berman, and Members of the Subcommittee, thank you for the opportunity to testify at today's hearing on the role of post-grant opposition in improving patent quality. My name is Karl Sun and I am Patent Counsel at Google.

BACKGROUND

Google takes pride in its ability to provide innovative products and services to help organize the world's information, and to make it accessible and useful for people everywhere. We believe that a properly functioning patent system rewards inventors by providing a limited right to exclude, and thereby promotes innovation. At the same time, Google also strongly believes that the current patent system needs reform to ensure that competition and innovation are not stifled by the issuance of invalid patents.

Reforms need to recognize and address the practical realities of the patent system, including the burgeoning rate of patent filings, an overworked and understaffed examining corps, and the *ex parte* process by which patents are granted. Google supports reforms that create proper incentives for applicants and the patent office during pre-grant examination, that provide increased third party involvement in post-grant administrative review, and that allow subsequent judicial review tailored to the unique challenges of the patent process.

RECOMMENDATIONS

Google believes that a post-grant opposition procedure would enhance the quality of patents granted under an otherwise *ex parte* examination system. A successful post-grant opposition procedure would have a number of important components.

- First, we are in favor of a post-grant opposition process and/or a substantially revised *inter partes* reexamination process that offers third parties a meaningful opportunity to challenge the validity of issued patents. Parties do not employ the current *inter partes* reexamination procedure because of several concerns, including their limited right to participate in the process and the broad estoppel that results.

- Accordingly, the new opposition procedure should give opposers a real opportunity to participate by providing for limited discovery, expert testimony, oral argument, and cross-examination before patent administrative law judges who are independent of the examining corps. Additionally, an opposition process should allow challenges based on any patentability grounds, not merely lack of novelty and obviousness as is the case with the current *inter partes* reexamination procedure.

- Second, estoppel arising from patent opposition should be limited to grounds that are raised and addressed in the opposition. In addition, failure to oppose a patent should not have any bearing in later litigation. The broad preclusive effect currently accorded to *inter partes* reexamination is a disincentive for its use and should be reconsidered; at the same time, parties should not be given artificial incentives to oppose patents.

- Third, to prevent harassment of patentees, opposition should be initiated within prescribed time periods. As one possibility, allow opposition by any party during an initial one year "quality control" period following the issuance of patent claims. After the initial period, patentees may be entitled to some certainty that their patent cannot be opposed, except by third parties whom they themselves notify and threaten with infringement. Because third parties generally do not become aware of patents until notified by a patentee, these third parties may be given an additional window within which to initiate opposition.

- Fourth, a presumption of validity should be given only to patents that have undergone the opposition process. There is general agreement that patent examiners need more time to examine applications. Current estimates for the *total* time an examiner spends per patent application from start to finish range from 8 to 25 hours on average.[1] Moreover, patent examination is conducted as an *ex parte* process between an examiner and an applicant, with no third party involvement. Finally, examiners are rated according to a "count" system that creates incentives for granting patents. Patents which are issued by an overburdened PTO without *inter partes* safeguards as to quality should not be accorded a presumption of validity by the courts.

[1] *See* Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (October 2003) (hereinafter *FTC Report*), ch. 5 at 4-5.

In addition to the above observations on the mechanics of a post-grant opposition process, Google would also like to suggest the following additional patent reforms for future consideration by the subcommittee:

- First, we should require patent applicants to disclose the relevance of prior art submitted to the PTO. This simultaneously relieves examiners of the burden of attempting to decipher the relevance of prior art submitted by the applicant, and discourages applicants from "dumping" art of questionable relevance on the examiner.

- Second, provide prior use rights or similar protection from allegations of infringement based on claims that are opportunistically broadened in continuation practice.[2]

- Third, increase funding for the PTO so that examiners' workloads may be reduced to allow an adequate amount of time for considering patent filings.

- Finally, modify the PTO count system to remove artificial incentives to grant patents. Patent examiners are rated according to a point or "count" system that encourages patent issuance.[3] A system that provides neutral incentives with respect to allowance versus rejection should be implemented.

CONCLUSION

Thank you again for the opportunity to testify today and to share Google's perspective on this important topic.

[2] *See, e.g.*, *FTC Report* ch. 4(II)(C)(1) at 26-31.
[3] *See, e.g.*, Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 Berkeley Tech. L.J. 577, 609 (1999).